



**THOMPSON
RIVERS
UNIVERSITY**

Consolidated Financial Statements

For the year ended March 31, 2018

THOMPSON RIVERS UNIVERSITY

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Year ended March 31, 2018

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THOMPSON RIVERS UNIVERSITY

STATEMENT OF ADMINISTRATIVE RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2018

The University is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards and the Province of British Columbia direction outlined in note 2(a). This responsibility includes selecting appropriate accounting principles and methods and making decisions affecting measurement of transactions in which objective judgment is required. In fulfilling its responsibilities and recognizing the limits inherent in all systems, the University's management has developed and maintains a system of internal controls designed to provide reasonable assurance that the University assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of financial statements. The system of internal controls is monitored by the University's management.

The Board of Governors carries out its responsibility for review of the consolidated financial statements principally through its Audit Committee. The members of the Audit Committee are not officers or employees of the University. The Audit Committee meets with the management and with the internal and external auditors to discuss the results of audit examinations and financial reporting matters. The auditors have full access to the Audit Committee, with and without the presence of the management.

The consolidated financial statements have been examined by KPMG LLP, Chartered Professional Accountants, the external auditors appointed by the University's Board of Governors. The Independent Auditors' Report outlines the nature of their examination and expresses an opinion on the consolidated financial statements of the University for the year ended March 31, 2018.

On behalf of the University:



Board Chair, James Thomson



Vice-President, Administration and Finance, Matt Milovick



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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Thompson Rivers University, and
To the Minister of Advanced Education, Province of British Columbia

We have audited the accompanying consolidated financial statements of Thompson Rivers University (the "University"), which comprise the consolidated statements of financial position as at March 31, 2018, the consolidated statements of operations and accumulated surplus, changes in net debt, cash flows and remeasurement gains and losses for the year ended March 31, 2018 and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the University's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements of Thompson Rivers University as at March 31, 2018 and for the year ended March 31, 2018 are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2(a) to the consolidated financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

June 15, 2018

Kamloops, Canada

THOMPSON RIVERS UNIVERSITY

Consolidated Statement of Financial Position

March 31, 2018 with comparative figures for 2017
(thousands of dollars)

		2018	2017
Financial Assets			
Cash	(Note 3)	\$ 36,423	\$ 31,064
Accounts receivable	(Note 4)	6,719	8,798
Inventories for resale		1,681	1,551
Loan receivable	(Note 5)	480	560
Investments	(Note 6a)	81,688	57,621
		\$ 126,991	\$ 99,594

Liabilities

Accounts payable and accrued liabilities	(Note 7)	\$ 50,216	\$ 35,288
Employee future benefits	(Note 8b)	3,946	4,150
Deferred contributions	(Note 9)	14,944	11,774
Debt	(Note 10)	11,243	11,300
Obligations under capital leases	(Note 11)	37,181	37,761
Deferred capital contributions	(Note 12)	104,557	87,613
		\$ 222,087	\$ 187,886
Net debt		\$ (95,096)	\$ (88,292)

Non-Financial Assets

Tangible capital assets	(Note 13)	\$ 203,866	\$ 184,182
Endowments	(Note 15)	8,010	6,225
Inventories held for use		39	36
Prepaid expenses		636	902
		\$ 212,551	\$ 191,345

Accumulated surplus	(Note 14)	\$ 117,455	\$ 103,053
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Accumulated surplus is comprised of:

Accumulated capital & other surpluses	(Note 14)	\$ 109,387	\$ 95,304
Endowments	(Note 15)	8,010	6,225
Accumulated remeasurement gains		58	1,524
		\$ 117,455	\$ 103,053

Contractual obligations and contingent liabilities (Note 17)
See accompanying notes to consolidated financial statements

On behalf of the Board:

Board Chair

Vice-President, Administration and Finance

THOMPSON RIVERS UNIVERSITY

Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2018 with comparative figures for 2017
(thousands of dollars)

	2018 Budget (Note 2(k))	2018	2017
Revenue:			
Government and other grants	\$ 75,081	\$ 79,624	\$ 70,365
Tuition and other student fees	81,090	90,478	78,867
Revenue recognized from deferred capital contributions	3,636	3,065	2,960
Contract and other revenue	4,728	6,381	6,420
Donations	2,229	2,886	2,327
Investment income	2,531	3,661	1,652
Retail sales, parking, and residence	17,692	18,237	17,671
	186,987	204,332	180,262
Expenses (Note 18):			
Academic instruction	98,690	99,051	93,845
Student support and general operations	49,807	50,624	47,423
Facility operations and maintenance	16,967	20,262	17,860
Research	4,511	4,714	3,546
Ancillary operations	14,593	15,318	14,168
	184,568	189,969	176,842
Endowment contributions	-	1,505	-
Annual surplus (restricted for capital) (Note 14)	\$ 2,419	\$ 15,868	\$ 3,420
Accumulated capital & other surpluses, beginning of year	95,304	95,304	91,884
Endowments, beginning of year	6,225	6,225	6,225
Accumulated capital & other surpluses, end of year	97,723	109,387	95,304
Endowments, end of year (Note 15)	6,225	8,010	6,225
Allocation of annual surplus:			
Internally funded capital projects	\$ -	\$ (6,752)	\$ (14,466)
Board reserve	(1,555)	(1,714)	(1,498)
Capital reserves	(864)	-	-
Faculty, department and other reserves	-	(18)	(47)
Endowment reserve	-	(1,505)	-
	(2,419)	(9,989)	(16,011)
Annual surplus (deficit)	\$ -	\$ 5,879	\$ (12,591)

See accompanying notes to consolidated financial statements

THOMPSON RIVERS UNIVERSITY

Consolidated Statement of Changes in Net Debt

Year ended March 31, 2018 with comparative figures for 2017
(thousands of dollars)

	2018 Budget (Note 2(k))	2018	2017
Annual surplus	\$ 2,419	\$ 15,868	\$ 3,420
Capital activities			
Acquisition of tangible capital assets	(11,719)	(26,761)	(20,921)
Amortization of tangible capital assets	7,998	7,077	6,461
	(3,721)	(19,684)	(14,460)
Changes in non-financial assets			
Endowments	-	(1,785)	-
Prepaid expenses	-	266	348
Inventories held for use	-	(3)	1
	-	(1,522)	349
Net remeasurement gains (losses)	-	(1,466)	1,713
Increase in net debt for the year	(1,302)	(6,804)	(8,978)
Net debt, beginning of year	(88,292)	(88,292)	(79,314)
Net debt, end of year	\$ (89,594)	\$ (95,096)	\$ (88,292)

See accompanying notes to consolidated financial statements

THOMPSON RIVERS UNIVERSITY

Consolidated Statement of Cash Flows

Year ended March 31, 2018 with comparative figures for 2017
(thousands of dollars)

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 15,868	\$ 3,420
Items not involving cash:		
Amortization of tangible capital assets	7,077	6,461
Revenue recognized from deferred capital contributions	(3,065)	(2,960)
Change in non-cash operating working capital:		
Accounts receivable	2,079	(653)
Prepaid expenses	266	348
Inventories held for use	(3)	1
Inventories for resale	(130)	80
Accounts payable	14,928	6,663
Employee future benefits	(204)	(266)
Deferred contributions	3,170	2,261
Net change in cash from operating activities	39,986	15,355
Capital activities:		
Acquisition of tangible capital assets	(26,761)	(20,921)
Investing activities:		
Investments	(24,067)	4,564
Loan receivable	80	80
Net remeasurement gains (losses)	(1,466)	1,713
Endowment	(1,785)	-
Net change in cash from investing activities	(27,238)	6,357
Financing activities:		
Debt	(57)	22
Deferred capital contributions	20,009	6,455
Obligations under capital lease	(580)	(553)
Net change in cash from financing activities	19,372	5,924
Net change in cash	5,359	6,715
Cash, beginning of year	31,064	24,349
Cash, end of year	\$ 36,423	\$ 31,064

See accompanying notes to consolidated financial statements

THOMPSON RIVERS UNIVERSITY

Consolidated Statement of Remeasurement Gains and Losses

Year ended March 31, 2018 with comparative figures for 2017
(thousands of dollars)

	2018	2017
Unrealized gains (losses) at beginning of year on Portfolio investments	\$ 1,524	\$ (189)
Unrealized gains (losses) during the year on Portfolio investments	(1,593)	985
Losses reclassified to the statement of operations	127	728
Net remeasurement gains (losses)	(1,466)	1,713
Unrealized gains at the end of year on Portfolio investments	\$ 58	\$ 1,524

See accompanying notes to consolidated financial statements

THOMPSON RIVERS UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018

1. Authority and purpose

Thompson Rivers University (the "University") operates under the authority of the Thompson Rivers University Act of British Columbia. The University is a not-for-profit entity governed by a Board of Governors, the majority of which are appointed by the provincial government of British Columbia. The University is a registered charity and is therefore exempt from income taxes under section 149 of the Income Tax Act.

The University offers a broad range of program options including graduate and undergraduate degrees, career diplomas, and trades training at its Kamloops and Williams Lake campuses through on campus and distance learning opportunities.

2. Summary of significant accounting policies

The consolidated financial statements of the University are prepared by management in accordance with the basis of accounting described below. Significant accounting policies of the University are as follows:

(a) Basis of accounting

These consolidated financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia Treasury Board.

The Budget Transparency and Accountability Act requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all taxpayer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards without any PS4200 elections.

Regulation 198/2011 requires that restricted contributions received or receivable for acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are to be deferred and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded.

For British Columbia taxpayer supported organizations, these contributions include government transfers and restricted contributions.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of Canadian public sector accounting standards which requires that:

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410; and
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100.

As a result, revenue recognized in the statement of operations and certain related deferred capital contributions would be recorded differently under Canadian public sector accounting standards.

THOMPSON RIVERS UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018

2. Summary of significant accounting policies (continued)

(b) Basis of consolidation

(i) Consolidated entities

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of organizations which are controlled by the University. Controlled organizations are consolidated except for Government Business Enterprises (GBEs) which are accounted for by the modified equity method. There are two entities that are 100% owned subsidiaries, the TRU Community Corporation (TRUCC), and the TRU Legal Clinic Society (TRULCS), that are fully consolidated into these statements.

(ii) Investment in Government Business Enterprises

Investments in Government Business Enterprises (GBEs) are accounted for using the modified equity method as required by Public Sector Accounting Standards. Under this method, the University records only the investment in the business enterprise, net income or loss of the GBE and other adjustments to equity but does not consolidate all transactions and balances. Under the modified equity method, no adjustment is made to conform to the accounting policies of government, with the exception that if other comprehensive income exists, it is accounted for as an adjustment to accumulated surplus. GBEs report using the International Financial Reporting Standards framework. Inter-organizational transactions and balances are not eliminated, except for any profit or loss on transactions between entities that involve assets that remain within the entities controlled by the University.

Currently the only GBE of the University is Thompson Rivers University Community Trust (TRUCT) (Note 6b). The trustee of the TRUCT is TRUCC. The fiscal year end of the Trust is December 31, 2017. Significant transactions between the Trust's year-end and the March 31, 2018 year-end of the University are recognized where applicable.

(c) Cash

Cash includes cash on hand and short-term deposits.

(d) Financial instruments

(i) Fair value category: Portfolio investments that are quoted in an active market are reflected at fair value as at the reporting date. Other financial instruments which the University has designated to be recorded at fair value include derivative instruments, cash and cash equivalents. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets are recognized in the Consolidated Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Consolidated Statement of Operations and related balances reversed from the Consolidated Statement of Remeasurement Gains and Losses.

(ii) Cost category: Realized gains, losses and interest expense are recognized in the Consolidated Statement of Operations when the financial asset is derecognized due to disposal or impairment. Accounts receivable, accounts payable and accrued liabilities are measured at cost. Any gains, losses or expenses are recorded in the annual surplus (deficit) depending on the nature of the financial asset or liability that gave rise to the gains, losses or expenses. Loans receivable are recorded at cost less any amount for valuation allowance. Valuation allowances are made when collection is in doubt. Interest is accrued on loans receivable to the extent it is deemed collectible.

THOMPSON RIVERS UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018

2. Summary of significant accounting policies (continued)

(e) Inventories for resale

Inventories held for resale, such as books, office and paper supplies, clothing and food stuffs are recorded at the lower of cost or net realizable value. Net realizable value is the estimated selling price.

(f) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Donated assets are recorded at fair value at the date of donation. Interest is not capitalized whenever external debt is issued to finance the construction of tangible capital assets. The cost of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives shown below (land is not amortized as it is deemed to have a permanent value):

Tangible Capital Assets	Amortization Period
Land improvements	10 - 30 years
Buildings, renovations, and buildings under capital lease	15 - 50 years
Furniture, equipment, equipment under lease and library acquisitions	3 - 10 years

Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the University's ability to provide goods and services.

(ii) Works of art and historic assets

Works of art and historic assets are not recorded as assets in these financial statements.

(iii) Leased tangible capital assets

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(iv) Inventories held for use

Inventories held for use are recorded at cost and consist of office supplies.

THOMPSON RIVERS UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018

2. Summary of significant accounting policies (continued)

(g) Employee future benefits

The University and its employees make contributions to the College Pension Plan and Municipal Pension Plan which are multi-employer joint trustee plans. These plans are defined benefit plans, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding. As the assets and liabilities of the plans are not segregated by institution, the plans are accounted for as defined contribution plans and any contributions by the University to the plans are expensed as incurred.

The University offers an employee future benefits plan providing accumulated sick leave. For accounting purposes, the University measures the accrued benefit obligations and determines the expense of the fiscal period through actuarial valuations and extrapolations. Adjustments arising from changes in actuarial assumptions and actuarial gains and losses are amortized over the Expected Average Remaining Service Lifetime (EARSL) of active employees.

Vacation benefits for the University's unionized and exempt employees are accrued as earned. The obligations under these benefits are based on the applicable collective agreements for the faculty and support employees, and the employment contracts for exempt employees.

(h) Revenue recognition

Tuition, student fees and sales of goods and services are recognized as revenue in the period to which they apply.

Unrestricted donations and grants are recorded as revenue when receivable if the amounts can be estimated and collection is reasonably assured.

Restricted donations and grants are reported as revenue depending on the nature of the restrictions placed on the use of the funds by the contributors as follows:

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or in the form of a depreciable tangible capital asset, in each case for use in providing services are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.
- (ii) Contributions restricted for specific purposes other than for those to be held in perpetuity or the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contribution have been met.
- (iii) Contributions required to be retained in perpetuity, allowing only the investment income earned thereon to be spent are recorded as revenue for the portion to be held in perpetuity and as deferred contributions for the investment income earned thereon.
- (iv) The University leases land to third parties as described in Note 11. Cash received from land leases is recognized in revenue in the period to which it applies.

THOMPSON RIVERS UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018

2. Summary of significant accounting policies (continued)

(v) Investment income includes interest recorded on an accrual basis and dividends recorded as declared, realized gains and losses on the sale of investments, and write downs on investments where the loss in value is determined to be other-than-temporary.

(i) Use of estimates

The preparation of the financial statements in accordance with Canadian Public Sector Accounting standards requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosures. Key areas where management has made estimates and assumptions include those related to the determination of useful lives of tangible capital assets for amortization and the amortization of related deferred capital contributions, present value and provisions for employee future benefits. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

(j) Foreign currency translation

The University's functional currency is the Canadian dollar. Transactions in foreign currencies are translated into Canadian dollars at the exchange rate in effect on the transaction date. Monetary assets and liabilities denominated in foreign currencies and non-monetary assets and liabilities which were designated in the fair value category under the financial instrument standards are reflected in the financial statements in equivalent Canadian dollars at the exchange rate in effect on the statement date. Any gain or loss resulting from a change in rates between the transaction date and the settlement date or balance sheet date is recognized in the Statement of Remeasurement Gains and Losses. In the period of settlement, the related cumulative remeasurement gain/loss is reversed in the Statement of Remeasurement Gains and Losses and the exchange gain or loss in relation to the exchange rate at the date of the item's initial recognition is recognized in the Consolidated Statement of Operations and Accumulated Surplus.

(k) Budget figures

Budget figures have been provided for comparative purposes and have been compiled from the Annual Budget Report approved by the University's Board of Governors on March 31, 2017. The budget is reflected in the Consolidated Statement of Operations and Accumulated Surplus, Consolidated Statement of Changes in Net Debt and in Note 18, Expenses by object.

THOMPSON RIVERS UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018

3. Cash

	In thousands	
	2018	2017
Restricted cash	\$ 1,022	\$ 1,022
Unrestricted cash	35,401	30,042
	<u>\$ 36,423</u>	<u>\$ 31,064</u>

Restricted cash consists of \$1.0 million deposited into a lock box account at Desjardins Trust Inc. for the monthly capital lease payments.

4. Accounts receivable

	In thousands	
	2018	2017
Trade receivable	\$ 3,636	\$ 4,095
Student and sponsor receivable	1,351	1,991
Related parties receivable	1,911	2,936
Allowance for doubtful accounts	(179)	(224)
	<u>\$ 6,719</u>	<u>\$ 8,798</u>

Trade consists of amounts receivable from customers, various government agencies and universities not related to the Province of BC, and government tax credits and rebates.

Student and sponsor consists of amounts due from individual students and businesses or agencies paying tuition and/or fees on behalf of students.

Related parties consist of amounts due from various provincial government entities, the Thompson Rivers University ("TRU") Foundation, the TRU Alumni Association and employees of the University.

5. Loan receivable

	In thousands	
	2018	2017
TRU Student Union term loan, receivable in annual principal installments of \$80 thousand plus interest at 5.75%, due February 26, 2024, secured by current and future student union fees	\$ 480	\$ 560

6. Financial instruments

Fair value of financial instruments:

The financial instruments measured at fair value held within each investment are classified according to a hierarchy which includes three levels, reflecting the reliability of the inputs involved in the fair value determination.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

THOMPSON RIVERS UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018

6. Financial instruments (continued)

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The University's financial instruments are all considered to be level 1 instruments for which the fair value is determined based on quoted prices in active markets with the exception of the Investment in TRUCT which is not determined based on active market prices. Changes in fair valuation methods or in the availability of market observable inputs may result in a transfer between levels. During the year there were no significant transfers of securities between the different levels.

(a) Investments

	In thousands	
	2018	2017
Investments are comprised of Canadian and foreign equities, government and corporate bonds with various maturity dates and investment in TRUCT. The weighted average rate of return for bonds is 2.91% (March 31, 2017 – 4.78%)		
Cash	\$ 750	\$ -
Equities at cost	43,490	32,242
Equities – unrealized gains	1,611	1,796
Bonds at cost	31,806	15,123
Accrued interest	8,284	10,009
Bonds - unrealized gains	1,741	4,472
Investment in Government Business Enterprise (Note 6b)	2,016	204
	<u>\$ 89,698</u>	<u>\$ 63,846</u>
Portfolio and other investments	81,688	57,621
Endowments	8,010	6,225
	<u>\$ 89,698</u>	<u>\$ 63,846</u>

THOMPSON RIVERS UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018

6. Financial instruments (continued)

(b) Investment in Government Business Enterprise

Included in investments is the University's investment in the TRUCT. TRUCT was established in October 2011 but commenced operations in 2014. The purpose of TRUCT is to develop property on behalf of the University. The University granted TRUCT the ability to sell 99 year leases on portions of land owned by the University. The beneficiaries of the TRUCT are the University and TRU Foundation.

	In thousands	
	2018	2017
Investment in TRUCT, beginning of year	\$ 204	\$ 188
Current year investment	1,431	771
Gain (loss) for the year	381	(755)
Investment in TRUCT, end of year	\$ 2,016	\$ 204

(c) Financial information as of December 31, 2017 for TRUCT is as follows:

	In thousands	
	2017	2016
Assets	\$ 3,382	\$ 66
Liabilities	(4,453)	(1,518)
Equity	(1,071)	(1,452)
Revenues	1,526	-
Expenses	(1,145)	(755)
Net gain (loss)	\$ 381	\$ (755)

7. Accounts payable and accrued liabilities

	In thousands	
	2018	2017
Trade payable and accrued liabilities	\$ 33,714	\$ 21,414
Wages payable	7,868	5,702
Accrued vacation payable	8,634	8,172
	\$ 50,216	\$ 35,288

THOMPSON RIVERS UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018

8. Employee future benefits

(a) Pension benefits

The University and its employees contribute to the College Pension Plan and Municipal Pension Plan (jointly trustee pension plans). The boards of trustees for these plans, representing plan members and employers, are responsible for administering the pension plans, including investing assets and administering benefits. The plans are multi-employer defined benefit pension plans. Basic pension benefits provided are based on a formula. As at August 31, 2017, the College Pension Plan has about 14,000 active members, and approximately 7,500 retired members. As at December 31, 2016, the Municipal Pension Plan has about 193,000 active members, including approximately 5,800 from universities and colleges.

The most recent actuarial valuation for the College Pension Plan as at August 31, 2015, indicated a \$67 million surplus for basic pension benefits. The next valuation will be August 31, 2018, with results available in 2019. The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2015, indicated a \$2,224 million funding surplus for basic pension benefits. The next valuation will be December 31, 2018, with results available in 2019.

Employers participating in the plans record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plans record accrued liabilities and accrued assets for the plans in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plans.

The University paid \$8.69 million for employer contributions to the plans in fiscal 2018.

(b) Accumulated sick leave and other retirement benefit arrangements liability

The University sponsors a benefit plan that provides post-employment benefits to certain employees. The benefits offered to employees include vested and non-vested sick leave. The plan does not require any contributions from employees. The accrued benefit obligation and the net periodic benefit cost were estimated for a 6 year period by an actuarial valuation completed on March 18, 2015.

The benefit liability at March 31, 2018 includes the following components:

	In thousands	
	2018	2017
Accrued benefit obligation, beginning of year	\$ 4,150	\$ 3,997
Current service cost	301	293
Interest cost	108	114
Benefits paid	(911)	(612)
Accrued benefit obligation, end of year	3,648	3,792
Unamortized net actuarial gain	298	358
Accrued benefit liability, end of year	\$ 3,946	\$ 4,150

THOMPSON RIVERS UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018

8. Employee future benefits (continued)

The benefit expense at March 31, 2018 for employee future benefits includes the following components:

	In thousands	
	2018	2017
Current service cost	\$ 301	\$ 293
Interest cost	108	114
Amortization of net actuarial gain	(60)	(60)
Employee future benefit expense	\$ 349	\$ 347

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligation are as follows:

Measurement date of accrued benefit obligation:	March 31, 2018
Beginning of period discount rate, April 1, 2015	3.00%
End of period discount rate, March 31, 2019	2.85%
Expected future salary increase	2.50%
Expected average remaining service lifetime of active (EARSL)	6 years

9. Deferred contributions

Deferred contributions are comprised of funds restricted for the following purposes:

	In thousands	
	2018	2017
Tangible capital assets	\$ 7,437	\$ 6,134
Sponsored research and specific purpose	3,468	2,566
Operating and other	2,555	2,115
TRUCT deferred lease proceeds	465	-
Endowment	1,019	959
	\$ 14,944	\$ 11,774

THOMPSON RIVERS UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018

9. Deferred contributions (continued)

Changes in the deferred contribution balance are as follows:

	In thousands					
	2018					
	Tangible capital assets	Sponsored research & specific purpose	Operating & other	TRUCT deferred lease proceeds	Endowment	Total
Balance, beginning of year	\$ 6,134	\$ 2,566	\$ 2,115	\$ -	\$ 959	\$ 11,774
Contributions & other revenue received during the year	22,332	5,448	193,049	470	441	221,740
Transfer to deferred capital contribution	(20,009)	-	-	-	-	(20,009)
Recognition to revenue	(1,020)	(4,546)	(192,609)	(5)	(381)	(198,561)
Balance, end of year	\$ 7,437	\$ 3,468	\$ 2,555	\$ 465	\$ 1,019	\$ 14,944

	In thousands					
	2017					
	Tangible capital assets	Sponsored research & specific purpose	Operating & other	TRUCT deferred lease proceeds	Endowment	Total
Balance, beginning of year	\$ 3,114	\$ 2,928	\$ 2,994	\$ -	\$ 477	\$ 9,513
Contributions & other revenue received during the year	9,475	6,802	171,844	-	857	188,978
Transfer to deferred capital contribution	(6,455)	-	-	-	-	(6,455)
Recognition to revenue	-	(7,164)	(172,723)	-	(375)	(180,262)
Balance, end of year	\$ 6,134	\$ 2,566	\$ 2,115	\$ -	\$ 959	\$ 11,774

THOMPSON RIVERS UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018

10. Debt

	In thousands	
	2018	2017
Ministry of Finance commercial paper, unsecured, bears interest at the rate of 1.30% per annum, repayable at maturity on November 16, 2018.	\$ 4,443	\$ 4,500
Bank of Montreal unsecured demand loan, bears interest at 1.89%, repayable at maturity on May 31, 2018.	6,000	6,000
Bank of Montreal unsecured demand loan, bears interest at Bank of Montreal prime, repayable at maturity on December 31, 2023. Bank of Montreal prime on March 31, 2018 was 3.37%.	800	800
	\$ 11,243	\$ 11,300

Principal repayments for the next year are estimated at \$11.2 million.

11. Obligations under capital leases

The University has entered into a Land Lease agreement with Dacon Corporation Ltd. ("Dacon"). Under the terms of the Land Lease, the University has leased 0.5 of a hectare of land on its Kamloops Campus to Dacon from April 1, 2005 to August 31, 2047. The land lease required Dacon to construct a student residence with approximately 580 beds in accordance with plans approved by the University. Annual rent under the Land Lease is \$5 thousand for the term of the agreement. The University will pay Dacon a surrender fee at the end of the lease equal to Dacon's net investment in the assets constructed on the land.

A Project Financing Agreement between the University, Dacon and Desjardins Trust Inc. obligates the University to make payments of principal and interest on the indebtedness incurred on the construction of the residence if for any reason the payments are not made by the primary debtor, Dacon. The interest rate on the debt is 5.14% (2017 – 5.14%).

The University has also entered into a sublease with Dacon. Under the terms of the sublease, the University leases the student residence from Dacon from September 1, 2006 for the term of the land lease less one day. Rent under the sublease is (i) Dacon's debt service costs associated with the financing of the residence, and (ii) 60% of the free cash flow each year (net of a contribution to a capital reserve fund) from the residence as defined in the sublease.

The University has entered into a Management Agreement with Dacon and Campus Living Centres Inc. ("CLC"). Under the terms of the Management Agreement, the University retains CLC, for the term of the sublease, to manage the residence and to comply with the obligations of the University under the sublease.

THOMPSON RIVERS UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018

11. Obligations under capital leases (continued)

Commencing October 1, 2015 the University has entered into 5-year Agreement with the Imperial Parking Canada Corporation for the provision of parking meters. The ownership of the meters will be transferred to the University at the expiration of the agreement on September 30, 2020. The interest rate on the lease is 2.49%.

The above agreements are recognized in the financial statements of the University as assets acquired under a capital lease and a capital lease obligation. The minimum future lease payments are as follows:

	In thousands	
	2018	2017
Year ending March 31:		
2018	\$ -	\$ 2,484
2019	2,484	2,484
2020	2,484	2,484
2021	2,464	2,464
2022	2,441	2,441
2023	2,441	2,441
Thereafter	59,044	59,044
Total minimum lease payments	71,358	73,842
Less amounts representing interest	(34,177)	(36,081)
Present value of net minimum capital lease payments	\$ 37,181	\$ 37,761

Total interest under capital lease payments for the year was \$1.9 million (2017 - \$1.9 million).

12. Deferred capital contributions

Contributions for the purpose of acquiring tangible capital assets are referred to as deferred capital contributions. Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset. Province of British Columbia Treasury Board regulation 198/2011 provided direction on accounting treatment of restricted capital contributions.

Changes in the deferred capital contributions balance are as follows:

	In thousands	
	2018	2017
Balance, beginning of year	\$ 87,613	\$ 84,118
Contributions received during the year		
Government grants	18,633	8,562
Donations and other	2,652	53
Changes in amounts deferred	(1,276)	(2,160)
	20,009	6,455
Less revenue recognized from deferred capital contributions	(3,065)	(2,960)
Balance, end of year	\$ 104,557	\$ 87,613

THOMPSON RIVERS UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018

13. Tangible capital assets

	In thousands				
	2018				
	Land and improvements	Buildings	Building and equipment under capital lease	Furniture, equipment and library acquisitions	Total
Cost, beginning of year	\$ 20,015	\$ 196,285	\$ 42,131	\$ 79,144	\$ 337,575
Additions	2,146	20,106	-	4,509	26,761
Cost, end of year	22,161	216,391	42,131	83,653	364,336
Accumulated amortization, beginning of year	9,156	64,696	12,576	66,965	153,393
Amortization expense	254	3,975	1,050	1,798	7,077
Accumulated amortization, end of year	9,410	68,671	13,626	68,763	160,470
Net book value	\$ 12,751	\$ 147,720	\$ 28,505	\$ 14,890	\$ 203,866

	In thousands				
	2017				
	Land and improvements	Buildings	Building and equipment under capital lease	Furniture, equipment and library acquisitions	Total
Cost, beginning of year	\$ 16,932	\$ 183,111	\$ 42,131	\$ 74,480	\$ 316,654
Additions	3,083	13,174	-	4,664	20,921
Cost, end of year	20,015	196,285	42,131	79,144	337,575
Accumulated amortization, beginning of year	8,921	61,110	11,526	65,375	146,932
Amortization expense	235	3,586	1,050	1,590	6,461
Accumulated amortization, end of year	9,156	64,696	12,576	66,965	153,393
Net book value	\$ 10,859	\$ 131,589	\$ 29,555	\$ 12,179	\$ 184,182

Assets under construction having a value of \$26.8 million (2017 - \$4.2 million) have not been amortized. Amortization of these assets will commence when the asset is put into service.

THOMPSON RIVERS UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018

14. Accumulated surplus

Accumulated capital & other surpluses consist of the following:

	In thousands	
	2018	2017
Invested in tangible capital assets:		
Tangible capital assets	\$ 203,866	\$ 184,182
Debt used for capital asset acquisition	(10,244)	(10,295)
Amounts financed by deferred capital contributions	(104,557)	(87,613)
Capital lease obligation	(37,181)	(37,761)
	<u>51,884</u>	<u>48,513</u>
Internally restricted:		
Designated and specific purpose reserves	7,402	6,549
Faculty and department reserves	8,737	9,036
Capital reserves	37,836	27,347
Residence repair and replacement reserve	528	859
	<u>54,503</u>	<u>43,791</u>
Unrestricted	3,000	3,000
Total accumulated capital and other surpluses	<u>\$ 109,387</u>	<u>\$ 95,304</u>
Endowments	8,010	6,225
Accumulated remeasurement gains	58	1,524
Accumulated surplus	<u>\$ 117,455</u>	<u>\$ 103,053</u>

Invested in tangible capital assets represent assets purchased with unrestricted and internally restricted surpluses.

Designated and specific purpose reserves are set aside for future operations and projects for which specific funding has been received or allocated.

Faculty and department reserves are the unspent operating funds which faculties and departments are permitted to carry forward at the end of each year. These also include professional development and other operating funds.

Capital reserves are amounts restricted for purchases of land, buildings and equipment.

Residence repair and replacement reserve is an amount set aside for repairs to the building and repairs or replacement of furniture, fixtures and equipment.

THOMPSON RIVERS UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018

15. Endowments

Endowment principal is to be maintained in perpetuity. The investment income generated from endowments is restricted and can be spent only in accordance with the various purposes established by the donors or the University's Board of Governors.

Proceeds received from the TRU Community Trust (TRUCT) are to be deferred and recognized over a 99 year period. As such, only the portion of the proceeds recognized in the year will be added to the endowment balance.

Changes to the endowment balances are as follows:

	In thousands	
	2018	2017
Balance, beginning of the year	\$ 6,225	\$ 6,225
Contributions received during the year	1,500	-
TRUCT loan repayment	280	-
TRUCT lease proceeds	470	-
Portion available for distribution, beginning of the year	959	477
Restricted investment income	441	857
Expenses during the year	(381)	(375)
Portion available for distribution, end of year	(1,019)	(959)
TRUCT deferred lease proceeds	(465)	-
Balance, end of year	\$ 8,010	\$ 6,225

16. Financial risk management

The Board of Governors, through management, ensures that the University has processes in place to identify and monitor major risks.

(a) Interest rate risk:

The University is exposed to the interest rate risk in respect of its portfolio investments, which earn interest income at various rates, and its debt, which bears interest at rates as disclosed in Note 10.

(b) Credit risk:

Unless otherwise disclosed in these financial statements, the University is not subject to significant credit risk associated with its financial instruments. The maximum credit risk for the University's financial assets is the carrying value of the asset.

(c) Market risk:

Market risk is the risk that changes in market prices, as a result of changes in interest rates and equity prices will affect the University's income and the value of its holdings of financial instruments. The objective of market risk management is to manage and control risk exposures within acceptable parameters, while maximizing the return. The composition of the Universities investments includes fixed income, equities, and other investments. The composition varies based on the University's needs and investment objectives. The investment in equity and other investments is not to exceed 35% with the balance invested in fixed income.

THOMPSON RIVERS UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018

16. Financial risk management (continued)

(d) Liquidity risk:

Liquidity risk is the risk that the University will not be able to meet its financial obligations as they become due. The University manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing and financing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the University's reputation.

17. Contractual obligations and contingent liabilities

- (a) The University is committed to payments under various contracts and leases with various expiry dates through 2023 as detailed below:

In thousands				
Year	Equipment and operating leases	Janitorial and other service contracts		Total
2019	\$ 697	\$ 3,075		\$ 3,772
2020	370	1,748		2,118
2021	262	339		601
2022	224	-		224
2023	121	-		121

- (b) The University has agreed to contribute one third of the net operating loss of the City of Kamloops Aquatic Centre to a maximum of \$150 thousand annually. The University's proportionate contribution of the 2018 Aquatic Centre operating loss amounted to \$150 thousand (2017 - \$150 thousand).
- (c) From time to time, the University is involved in litigation or proceedings relating to claims arising out of its operations in the ordinary course of business. It is expected that the ultimate outcome of these claims will not have a material effect on the financial position of the University. The majority of these claims are covered by the University's insurance coverage. Any University obligations that may result from these claims will be recorded in the period when it becomes likely and determinable.

THOMPSON RIVERS UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2018

18. Expenses

The following is a summary of expenses by object:

	In thousands		
	Budget	2018	2017
Advertising and public relations	\$ 5,595	\$ 5,239	\$ 5,422
Amortization of capital assets	7,998	7,077	6,461
Bank charges, interest and bad debt	1,038	1,136	957
Building, equipment, operations and maintenance	7,057	10,954	9,357
Bursaries, awards and scholarships	4,190	4,385	4,562
Computer supplies and licenses	1,052	1,891	1,228
Cost of materials sold	6,706	7,504	6,904
Interest on capital lease obligation	1,953	1,902	1,929
Interest on debt	150	175	159
Leases and rentals	3,515	3,712	3,082
Professional fees and contracted services	13,298	15,369	13,209
Salaries and benefits	122,056	119,387	113,215
Supplies, postage and freight	4,334	5,520	4,937
Travel	5,626	5,718	5,420
	<u>\$ 184,568</u>	<u>\$ 189,969</u>	<u>\$ 176,842</u>

19. Related organizations

The University is associated with the following organizations, which have not been consolidated into the University's financial statements.

- (a) The TRU Foundation (the "Foundation") has been established for the benefit of the University and its students. During the fiscal period ending March 31, 2018 the Foundation fundraised and donated to the University \$2.7 million for capital projects (2017 - \$130 thousand), and \$3.9 million for bursaries, scholarships, and other projects (2017 - \$2.0 million).
- (b) Other provincial government operations

The University is related through common ownership to all Province of British Columbia ministries, agencies, school districts, health authorities, colleges, universities, and crown corporations. Transactions with these entities are considered to be in the normal course of operations and are recorded at the exchange amount which is the amount of consideration established and agreed to by the related parties.